

### Strategic unionism in Eastern Europe: the case of Romania

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## **MPIfG Working Paper 05/7, July 2005**

### **Strategic Unionism in Eastern Europe: The Case of Romania**

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This paper is a modified and updated version of a chapter published by the authors in Huzzard/Gregory/Scott's (2004) book. An earlier version of the paper was presented to the IIRA 7th European Congress 'The Future of Work in Europe' held in Lisbon in 2004. The authors are grateful to the participants of the IIRA Congress for the discussions, and to Marco Hauptmeier, Tony Huzzard and Luana Pop for their useful comments.

#### **Abstract**

The shift from centrally planned economies to market-oriented economic models presented trade unions in Eastern European countries with crucial choices in relation to their roles as industrial relations actors. This paper investigates whether (and why) unions have chosen adversarial and/or co-operative relationships with the employers, based on a strategic choice conceptual framework. It focuses on trade union relations with employers at national, sectoral and company levels in Romania. It is argued that adversarial and co-operative relations between unions and employers developed simultaneously after 1989, but co-operation was the prevalent approach. Evidence suggests that ideological legacies, former institutions and the initial decision to participate in the macroeconomic transformation played a key role in shaping unions' choices towards co-operation with employers. Although this paper confirms the widespread view that labour is rather weak in Eastern Europe, it indicates that unions can be proactive and shape their own future if they have the capacity to mobilise their members and union leaders have the skills and willingness to use both conflict and co-operation in their relationships with employers. The comparison of evidence from Romania with other Eastern European countries reflects on the stage of Romanian transformation and also illustrates a wider possible applicability of the theoretical framework employed for the study.

#### **Zusammenfassung**

Mit dem Wechsel von Zentralwirtschaft zu Marktwirtschaft mussten Gewerkschaften in osteuropäischen Ländern entscheiden, wie sie sich in den industriellen Beziehungen positionieren. Dieses Working Paper fragt, ob und warum Gewerkschaften sich strategisch für ein kooperationsorientiertes oder konfliktorientiertes Verhalten gegenüber den Arbeitgebern entschieden haben. Gegenstand der Untersuchung sind dabei die Beziehungen zwischen Arbeitgebern und Gewerkschaften auf nationaler, sektoraler und Unternehmensebene in Rumänien. Konflikthafte und kooperative Beziehungen zwischen Arbeitgebern und Gewerkschaften entwickelten sich nach 1989 parallel zueinander, mit einer höheren Tendenz zur Kooperation. Die Studie zeigt, dass nicht nur ein ideologisches Erbe und überkommene Institutionen, sondern auch die anfangs unterschiedene Teilnahme an der makroökonomischen Transformation für die Entscheidung der Gewerkschaften zur Kooperation mit den Arbeitgebern ausschlaggebend waren. Die weit verbreitete Ansicht, dass Gewerkschaften in Osteuropa schwach sind, wird bestätigt. Gleichzeitig wird jedoch gezeigt, dass sie es in der Hand haben, ihre eigene Zukunft offensiv zu gestalten, vorausgesetzt, es gelingt ihnen, ihre Mitglieder zu mobilisieren. Darüber hinaus müssen Gewerkschaftsführungen fähig und willig sein, sowohl Konflikt als auch Kooperation in ihren Beziehungen zu den Arbeitgebern nutzen können. Der Vergleich der Ergebnisse aus Rumänien mit anderen osteuropäischen Ländern spiegelt den Stand der Transformation in Rumänien wider und zeichnet ebenso einen erweiterten Anwendungsbereich des der Studie zugrunde liegenden theoretischen Ansatzes.

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### **1 Introduction: radical change in 1989**

The fall of the communist regime in Eastern Europe in 1989 conferred on unions the freedom to enter into collective bargaining and social partnership with employers. In the unitary communist system, with its centrally planned economy, trade unions were the largest mass membership organisation, but their main functions were to support the realisation of the economic plan decided by the communist apparatus and to distribute social benefits (Thirkell/Vickerstaff 2002: 58). At the company level, there were no clear boundaries between unions and the management. However, in contrast with business unionism in western countries, the trade union leadership was integrated, and subordinated to the Communist Party (Nelson 1986: 108). Therefore, collective bargaining and social partnership between independent unions and (private) employers are new phenomena, which emerged after the collapse of the communist regime in 1989.

This paper explores the strategic choices of trade unions in Central and Eastern European countries (CEECs) during a period of radical change from a centrally planned economy to a market economy model. It investigates whether (and why) unions have chosen adversarial and/or co-operative relationships with the employers. It focuses on trade union relations with employers at national, sectoral and company levels in Romania, while there is a limited inference to other CEECs in order to highlight and contrast the developments in the Romanian case. Despite a general climate that has favoured the market mechanism and resulted in a massive decline of union membership as well as a decrease in living standards for most employees (Ost 2000; Pollert 1999), evidence suggests that unions have often chosen a partnership approach to industrial relations (Ost 2000; Vidinova 1997), except when their survival has been at stake. As a result, various incipient forms of partnership between unions and employers have emerged in the precarious transition context, but the social partners are still in the process of learning how to deal with the new context.

The paper contributes to a relative new understanding of the strategic choices made by industrial relations actors, and in particular trade unions, in maintaining and expanding their roles during periods of economic transformation. Whilst most studies highlight the

constraints faced by unions since 1989 (Crowley 2004; Ost 2000; Pollert 2000), this paper argues that the transformation process has also provided unions with opportunities. It emphasises the impact of the choices made by trade unions at different levels on industrial relations practices at company level.<sup>[1]</sup> Nonetheless, the findings suggest that the strategic choices of the unions were not the most important factor that shaped their role after 1989, as evidence confirms the view of previous studies that institutional and ideological legacies have represented major constraints. This study substantiates the widespread opinion that labour is rather weak in Eastern Europe (Crowley 2004; Mailand/Due 2004; Crowley/Ost 2001; Pollert 1999), but it also illustrates that the transformation process has been shaped, by the capability of unions to apply selected strategic choices. The theoretical framework employed extends current conceptual paradigms for understanding the place and role of trade unions in the complex transformation processes found in Eastern European countries.

The paper is organised as follows. Section 2 presents the conceptual framework on strategic unionism. Section 3 explores the current situation across CEECs, by providing an overview of the social partners and their relationships. Based on the primary data,<sup>[2]</sup> the main practices of conflict and co-operation between unions and employers operating in Romania at the national (transsectoral), sectoral and workplace levels are examined in Section 4. These findings are analysed in a broader context in Section 5. This outlines similarities and differences in the choices made by Romanian unions in comparison to unions in other CEECs at the four levels identified in the theoretical framework. Section 5 and the concluding part also explore possible implications for unions in Eastern Europe. The Romanian experience illustrates an example of opportunities and constraints faced by unions in Eastern Europe in the context of transformation from the centrally planned economy to a market economy model.

## **2 Strategic unionism - the conceptual framework**

A strategic choice perspective on industrial relations was first developed by Kochan/McKersie/Cappelli (1984) in the US. Their main argument is that industrial relations practices and outcomes are shaped not only by environmental forces, as Dunlop's (1958) system framework indicates, but also by the strategic choices and values of managers, trade union leaders, workers and public policy (Kochan/McKersie/Cappelli 1984: 20-21). The strategic choice model of Kochan/McKersie/Cappelli (1984) is criticised primarily because it does not acknowledge the distribution of power among industrial relations actors, which is a crucial aspect for imposing their choices on other parties (Kelly 1998: 19). Additionally, it does not provide a predictive model. Despite these shortcomings, the strategic choice argument that the outcome of the industrial relations transformation is not predetermined, since there are a variety of choices depending on parties' strategies and environmental constraints, is widely accepted (Müller-Jentsch 2004: 27; Huzzard/Gregory /Scott 2004).

Although the Kochan/McKersie/Cappelli (1984) study focused on the strategic choices of employers, literature on the strategic choices of the unions started to develop from the 1990s. Recently, Huzzard (2004) developed a strategic model for trade unions. He argues that despite the macro-level and micro-level constraints (e.g. economic context, employer strategies, past choices of unions, technology, etc.) trade unions can have strategic choices at four interrelated levels as follows:

- Level 1 concerns fundamental choices on mission, ideology and identity.
- Level 2 refers to key choices on the scope of activities (e.g. new services or membership recruitment) and relationships.

- Level 3 refers to key choices on ways of relating to employers (e.g. co-operation or conflict), members, other unions and civil society.
- Level 4 concerns the choices on union structures, processes and capacities.

Huzzard (2004: 28) indicates that the higher levels shape the lower levels (e.g. level 1 shapes level 2), while the lower levels may also have an influence on the higher levels. Although the strategic choice model for trade unions does not acknowledge how unions acquire resources, it is a comprehensive conceptual framework that facilitates the understanding of the connections between unions' choices at different levels. Additionally, a focus on unions' strategic choices provides the opportunity to demonstrate that unions can shape their own future, despite the fact that they are rarely in the driving seat (Huzzard 2004). The strategic choice approach to unions emphasises far more the constraints on union choices than the original use of the concept by Kochan/McKersie/Cappelli (1984) did to explain employers' behaviour during the 1980s in the US. This theoretical framework is part of the body of recent literature on actor-centred institutional approach, which recognises the crucial role of the existing institutional setting in facilitating or constraining actors' choices, preferences and the evaluation of the outcomes (Müller-Jentsch 2004; Scharpf 1997).

The demise of communism in Eastern Europe placed trade unions in a pluralistic societal framework where strategic choices became an essential element of their role. Old and newly established unions had to take key decisions regarding their mission and ideology, the scope of their activities, the type of relations with the other actors and their internal structure. In this study it is assumed that unions have enjoyed a degree of discretion in making these decisions (Meardi 2004; Vikerstaff/Thirkell 2000; Vidinova 1997), while it is acknowledged that their decisions have been constrained by both the external environment and their own power resources, structures and values.

The paper utilises Huzzard's (2004) strategic choice model to identify key union choices in the context of the radical change from a centrally planned economy to a market economy. It focuses on level 3 choices of unions vis-à-vis employers (conflict and/or co-operation) in Romania. In line with Huzzard (2004: 35), collective bargaining is seen primarily as an adversarial relationship between capital and labour ('them and us'), based on the short-term interests of parties that have a rather low degree of trust in each other (Crouch 1993). Social partnership is considered a 'mutual gains' exchange based on long-term shared interests and a high degree of trust, having a broader scope than collective bargaining (Kochan/Osterman 1994). As there are not generally agreed definitions, these terms are used from an Anglo-Saxon perspective. However, it is recognised that in practice collective bargaining and social partnership involve elements of both conflict and co-operation. Western European countries have evolved a spectrum of collective bargaining and partnership practices, and CEECs demonstrate wide-ranging differences in these areas.

### **3 The setting across CEECs - social partners and their relationships**

#### **3.1 Trade unions**

During the communist period, trade union leaders were usually part of the party apparatus and their main role was to ensure that members obeyed the party's rule and fulfilled the plan, the so-called 'transmission belt' function (Hethy 1991). Additionally, unions administrated in-company social benefits and dealt with individual issues arising at the workplace. Unions generally did not truly negotiate collective agreements, as they were not independent and did not have the right to strike. However, their independence from the

Communist Party varied between being totally subordinated in Romania and being an independent union movement (Solidarity) in Poland during the 1980s (Pravda/Ruble 1986). Overall, the unions' freedom to negotiate with the party-state and the top managers was very limited across CEECs during the communist regime.

Since 1989, unions in the CEECs have changed their role and structure, but there is also continuity (Draus 2001; Deppe/Tatur 1997). Despite differences across CEECs, there are a number of common trends in the development of trade unions after 1989. In all countries, trade unions have emerged, either by restructuring former communist unions or by being set up as new (rival) organisations to the former ones (Draus 2001: 11). Generally, the old reformed unions have emerged as the dominant players, as they have retained most of the assets of their predecessors, including a large number of members (Draus 2001: 11). Initially, there was strong rivalry between the two types of unions, which has resulted in a pluralist union structure at all levels, particularly in Hungary and Romania (see Table 1 for confederations; Aro/Repo 1997). As Table 1 indicates, in countries that have adopted a gradual approach to the economic restructuring, such as Slovakia and Romania, trade union density is currently between 35% and 40%, while in the others it is even lower. The economic restructuring, rising unemployment and the general climate-favouring market mechanism resulted in a sharp decline in trade union membership during the 1990s.

**Table 1 Organisational characteristics of the social partners in CEECs (latest available data)**

	Trade union density in per cent	Number of the most important organisations		Employees in firms that are members of an employers' association in per cent
		Trade unions	Employers' associations	
Bulgaria	25	4	2	N/A
Czech Republic	30	1	2	35
Estonia	20	2	1	35
Hungary	25	6	4	N/A
Latvia	25	1	1	56
Lithuania	12-15	3	4	N/A
Poland	25	3	2	24
Romania	35	5	8 (2 since 2004)	65
Slovakia	30	3	1	65
Slovenia	40	1	2	100

Source: European Commission (2004); Funk/Lech (2004: 2); Preda (2004); Janssen/Galgoczi (2004).

Several studies indicate that trade unions have had a weak influence in the tripartite bodies and on the transformation policy in all CEECs, although they continue to have a strong political role (Lado/Vaughan-Whitehead 2003; Crowley/Ost 2001; Draus 2001: 16; Pollert 1999). Their influence in the tripartite bodies also appears to depend on the degree of macroeconomic transformation, as governments still need union support for reforms in countries where the restructuring process is less advanced (Thirkell/Vickerstaff 2002). Nevertheless, unions have had an important role in establishing the new labour legislation throughout CEECs (Draus 2001). As unions have maintained their company-based structure, several unions may be present in an enterprise (Pollert 1999; Aro/Repo 1997). Company unions are not always independent of the management (Stanojevic/Gradev 2003:

45), resulting in a weak effectiveness of company collective bargaining (Aro/Repo 1997). After testing several hypotheses, Crowley (2004) indicates that institutional and ideological legacies of the communist period best explain the overall weakness of labour in Eastern Europe.

### **3.2 Employers' associations**

In a centrally planned economy there are no employers' associations per se. During the communist period, the state-owned enterprises were associated in chambers of commerce and industry for commercial purposes, but they did not deal with employment issues and they were subordinated to the party-state (Hethy 1991). Hence, employers' associations are a new institution developed in CEECs after 1989.

Although there are major differences between employers' associations, evidence indicates a weak institutional development across CEECs. Draus (2001: 5) argues that employers' associations in CEECs are artificial players created with substantial assistance from the state to put in place tripartite structures in order to meet immediate political interests. Other studies also reveal that employers' associations are primarily interest groups (representing initially state enterprises) dealing with economic policy and providing services for individual members (e.g. legal assistance), but they are frequently not authorised by their members to conclude collective agreements on their behalf (Miheș/Casale 1999; Toth 1997: 340; Lecher/Optenhogel 1995). Moreover, there is often rivalry between employers' organisations, which has led to a fragmented structure (Table 1). The weak development of employers' associations is usually explained in terms of heterogeneity of the new (private) employers, lack of experience, and individual employers' strength at company level (Draus 2001; Martin 1999; Toth 1997; Lecher and Optenhogel 1995). In the unstable and sometimes ambiguous transition context, private employers frequently prefer to act through individual political contacts and single-employer bargaining at company level (Draus 2001: 8; Martin 1999; Aro/Repo 1997). Therefore, empirical studies throughout CEECs reveal that employers' organisations are generally not well developed.

### **3.3 Conflict and/or co-operation?**

Since the beginning of the transition period, tripartism<sup>[3]</sup> has been the strategic choice of the social partners throughout CEECs for pragmatic reasons (Thirkell/Vickerstaff 2002; Hethy 2001). First, tripartism is a source of mutual legitimisation for the parties involved, which have been facing deficits of support (Hethy 2001: 10). Secondly, tripartism is a means of securing legitimacy for political and economic transformation and of maintaining social peace in a context of economic recession (Hethy 2001: 10; Martin 1999: 379). Thirdly, there is a long tradition in CEECs of governments dealing with trade unions at national level and relying on unions to implement their policies (Vidinova 1997: 86). Finally, international organisations, such as the International Labour Organisation and the EU, also recommend tripartism (Hethy 2001: 11). For unions, the short-term choice to share the burden of the transformation is outweighed by the privilege of being a reform maker and ensuring restructuring without major losses in employees' rights over the long term (Vidinova 1997). Nevertheless, across Eastern Europe, tripartism is primarily an action initiated by the state seeking the support of trade unions for its reform.

Tripartite forums have been designed to deal with shared interests as well as adversarial issues. According to Hethy (2001: 14), the main functions of the tripartite bodies in the region have been as follows:



- (a) consultation over the establishment of new labour institutions and the legislative framework;
- (b) national-level wage negotiation;
- (c) participation in public policy formulation with regard to income, wage, employment and social policies;
- (d) settlement of national industrial conflicts.

Of these, only (a) has dealt primarily with shared interests, as all three partners have been committed (at least initially) to establishing a legal framework that facilitates the development of social dialogue and voluntary collective bargaining (Lado 2002), while (b), (c) and (d) have been predominantly adversarial issues. As Table 2 shows, collective bargaining and social partnership have been operating simultaneously across CEECs. Thus, the creation of tripartite bodies has been based on a long-term commitment between the parties, but it has been accepted that arenas for co-operation and adversarial activities would be set up.

During the communist period, collective bargaining (if it existed) was not an essential mechanism for defining the terms and conditions of employment because it was generally the state which determined wages directly, by setting for instance wage scales and wage funds for enterprises, or indirectly, by drafting regulations based on the central plan (Hethy 1991: 135). Moreover, there were neither independent unions nor autonomous employers. In countries such as Hungary and Poland (where there was a degree of decentralisation) limited collective bargaining at company level had taken place (Hethy 1991:130-131; Pravda/Ruble 1986), but in Romania there was no tradition of voluntary collective bargaining. By and large, there was no real collective bargaining during the communist period in CEECs.

**Table 2 Collective bargaining and social pacts in CEECs (latest available data)**

	Wage bargaining levels	% of employees covered by collective agreement	The most recent tripartite social pacts/developments (year)
Bulgaria	Sector** Company*	25-30	2002
Czech Republic	Company*** Sector*	25-30	1994
Estonia	Company*** Sector*	20-30	2003
Hungary	Company*** Sector*	+/- 40	2004 (wage deal that recommends 6% wage increase in 2005)
Latvia	Company*** Sector* Intersectoral*	<20	2004
Lithuania	Company*** Sector*	+/- 10	Negotiations in 2004 failed due to the lack of agreement on minimum wage increase.
Poland	Company*** Sector*	+/- 40	Negotiations in 2003 failed due to mistrust between negotiating parties. No agreement on minimum wage



			increase in 2005.
Romania	Company*** Sector*	N/A	2004
Slovakia	Sector*** Company*	+/- 40	2000 No agreement reached in 2003-2004. Trade unions did not agree with policies on cuts in welfare provision, reform of the pension system and minimum wage.
Slovenia	Intersectoral*** Sectoral* Company*	<100	2003 (for 2003-2005)

Source: Toth/Neumann (2004); Schulten (2005)

Legend: \*\*\* = dominant level; \*\* = important level, \* = of relatively minor importance.

As Table 2 shows, collective bargaining is generally decentralised and its coverage is far lower in CEECs than in Western Europe (Schulten 2005). The coverage of collective agreements varies in CEECs: from below 20% in Latvia and Lithuania to almost 100% in Slovenia. There are no data available for Romania, but it is likely to be closer to Slovakia since union density is similar and, in companies where there are unions, a collective agreement is usually concluded. The low coverage in CEECs is associated with the decentralised structure of collective bargaining. The weak development of sectoral collective bargaining is generally explained in terms of inherited institutional legacies (e.g. strong legal intervention, trade unions based within companies and a lack of autonomy of the social actors) and employers' preference for single-employer bargaining (Lado 2002: 6; Draus 2001: 24-25; Toth 1997). Therefore, in the unstable economic and structural environment characterised for many years by economic recession, the growth of the informal sector, and a rise in unemployment, collective bargaining is not well consolidated.

#### 4 Conflict and co-operation in practice in Romania

With the collapse of the communist regime in 1989, unions achieved the freedom to negotiate with employers. Evidence suggests that collective bargaining and social partnership are taking place at three main levels. A preliminary synopsis of current and prospective co-operation and conflict at various levels is presented in Table 3. Unlike in the EU member states, the unions in Romania have virtually no relations with employers at international level. This is likely to change if Romania joins the EU in 2007. Trade unions' strategic choices after 1989 and the prospects of co-operation and/or conflict at the national, sectoral and company levels are examined in detail in the next section, based primarily on interview data.

**Table 3 Conflict and co-operation in practice in Romania**

Level	Collective bargaining/CB (predominant conflict)	Partnership approach (predominant co-operation)	Prospects
Global/ International	No	No	Participation via European Works Councils (co-operation)
National	<i>First stage of CB</i> (transsectoral agreement): bargaining role of (the five representative) union	Historical legacy of authoritarian corporatism. Incipient co-operation in the tripartite Economic and	Less scope for co-operation once labour legislation becomes more stable. Increased pressure for

	confederations, though this results in a minimal framework for lower levels of negotiation.	Social Council (e.g. co-determination on labour legislation, consultation on social policy and EU enlargement).	decentralisation at the company and sector levels.
Sectoral	<i>Second stage of CB</i> (industry agreement): bargaining role of union federations, but still a minimal framework for the company agreement (e.g. in the chemical sector).	Incipient forms of co-operation in the sectoral tripartite commissions (e.g. information and consultation on sectoral issues, such as bad weather funds in the construction industry).	Potential increased co-operation with the sectoral tripartite bodies consolidated.
Local/ Workplace	Third stage of CB (company agreement): the last stage of CB at which the actual terms and conditions of employment, including wages, are established. Most large companies have a collective agreement.	Company agreements (e.g. Petromidia). Co-determination where there are shared interests (e.g. privatisation, subsidies from the state in the public sector, training and health and safety). Union representation on consultative bodies, including company boards.	Both conflict and co-operation. Evidence of union preference for co-operation, but also indication and tradition of unions being co-opted by the management.

#### 4.1 Strong state involvement at the national level

In Romania, the first tripartite institution was created in 1993 as part of a Phare assistance programme (Mihes/Casale 1999: 277). The Tripartite Secretariat for Social Dialogue was established to provide support in setting up labour institutions and a legal framework that would facilitate the dialogue between unions, employers' associations and the government. This institution was dissolved in 1997, when the direct funding from Phare ceased. Nevertheless, a new Economic and Social Council was created by the government in 1997 (Law no. 141/1997). This Council had an advisory role in developing economic and social policy. It endorsed draft legislation mainly on wages, employees' rights and duties, unemployment, social insurance and pensions. A new law (Law no 58/2003) extended its role (enabling it, for instance, to make proposals for monetary, financial and income policies) and made it more inclusive, by allowing representatives of professional and non-governmental organisations to be part of it. Despite fairly extensive legal rights, its General Secretary revealed that its effectiveness in representing employees' interests was reduced. He indicated that employers' associations were still very weak and dominated by the state representatives. As a result, the state could often pursue its initial proposals, assuming a double role, as both government and employer in the tripartite forum.

The commitment to partnership has been reinforced in recent years. A tripartite National Agency for Employment and Professional Training was set up in 1999. Its main scope is to deliver training services for job seekers, to assist with job recruitment and to manage the unemployment fund (Mihes/Casale 1999: 281). Additionally, the first social pact (*Acord Social*) was signed in 2001 between trade unions, employers' associations and the newly elected government. Trade unions agreed to refrain from industrial action for one year in exchange for the government's commitment to take action to increase the living standards of the population and to create new jobs (Martin/Cristescu-Martin 2002: 529). As the government was unable to fulfil these promises, the second largest union confederation, the Cartel Alfa, withdrew from the agreement after six months. The social pact also included provisions to establish a tripartite forum for every industrial sector, which should meet whenever a party required a debate on issues specific to that particular sector. The social

pact was renewed in 2002, but only three out of the five largest union confederations signed it (Rusu 2002: 29). Negotiations over a 2003 social agreement ended in failure. A tripartite 'social stability pact' for 2004 was concluded, but it was signed only by two trade union confederations. The other three unions rejected the social pact because they were dissatisfied with the level of minimum wage. Also, they considered that this social pact was just a way for the government to make political capital in an election year. Thus, a partnership approach has been developing on the national arena, but the social partners are just learning to co-operate with each other.

Romanian trade unions have also used the national arena for adversarial activities. As indicated in Table 3, the first step of collective bargaining process takes place at the national level.<sup>[4]</sup> The most recent national collective agreement was concluded in December 2004, and it is valid for 2005-2006 (Preda 2005a). Despite the fact that the agreement establishes only a minimal framework for lower levels of collective bargaining, the national negotiations have sometimes led to industrial action. At the beginning of the 1990s, strikes were quite frequent and mainly related to wages and job security (Kideckel 2001: 103). Apart from 'bread and butter' issues, Romanian trade unions, particularly mining organisations, have also been involved in political strikes. Although strikes have generally started with demands for wage increases, the miners strike and march on Bucharest in September 1991, for example, led directly to the fall of the first democratically elected government (Martin/Cristescu-Martin 1999: 399). Additionally, under union pressure, the government has favoured particular industries. For instance, the Government Ordinance 22/1997 entitled miners that had worked for more than 15 years to receive a severance payment worth 20 monthly wages, while workers in the other sectors were entitled to less than 12 months wages (Kideckel 2001: 107). Nevertheless, wage increases achieved by unions have regularly been followed by a higher increase in inflation (Rusu 2002; Pert/Vasile 1995). Therefore, industrial actions have resulted in some successes, but these have generally been short-lived solutions.

The new government elected in Romania in 2004 intends to change the Labour Code of 2003, to allow more flexibility for employers and less rights for employees. Trade unions are fighting against these changes, but the issue is not settled yet (in June 2005). In spite of the major constraints during the shift from centrally planned economies to market-based economies, the developments in Romania show that the transformation process has provided unions with some opportunities allowing them to influence the creation of labour institutions.

Nonetheless, the unions' achievements have not resulted in a positive outcome for labour where it counts the most. Overall, unions have failed to preserve or increase labour's purchasing power and employees' jobs (Kideckel 2001: 97). Additionally, the disrespect of employers and the government for the labour laws and the expansion of black market labour made the success of the unions very limited at operational level (interviewees; see also Clarke/Cremers/Janssen 2003). Romanian unions have been among the most militant in Eastern Europe (Crowley 2004: 404; Martin 1999), but they have become more committed to partnership than to adversarial relations as the developments at the sectoral and the company levels indicate.

## **4.2 (Under)Developments at the sectoral level**

Formal arenas for co-operation and conflict have been established at the sectoral level, but there is a weak development of the relationship between the social partners. The legislation provides for the establishment of Consultative Commissions of Social Dialogue at ministries

and at the prefects' offices. These are tripartite consultative bodies consisting of representatives of the concerned ministry (or local authority), trade union federations and employers' associations from a particular industry (or area). In these forums, social partners are consulted on draft laws concerning the specific industry and enterprise restructuring measures, and they can bring up any claims and proposals to be considered (Mihes/Casale 1999: 281). Additionally, other incipient forms of tripartite bodies have emerged, such as the Social House of Builders in the construction industry. Its main functions are to manage the bad weather funds and to deal with training issues in the construction industry. Therefore, arenas for co-operation at the sectoral level have been established in Romania which, institutionally, are more solid than in other CEECs (Clarke/Cremers/Janssen 2003).

However, evidence indicates a low effectiveness of the tripartite forums in practice, primarily due to a very weak commitment on the part of employers. For instance, in the case of the chemical industry, where a sectoral employers' association named the Fepachim has been operating since the 1990s, an official revealed that it is very difficult to achieve a common position of members. A further illustration of the slight importance attached by members to the employers' association is the fact that the staff of the Fepachim consisted of four officials, only one of whom (the vice-president) was working full time for the organisation. Additionally, the association's headquarters consist of a room in the same state-owned enterprise as that of the largest union federation. The Fepachim illustrates a fairly typical case of the degree of (under)development of employers' associations in Romania. The slow development of the private sector has made the Romanian employers' associations among the weakest in Eastern Europe. Thus, it has been very difficult for unions to develop collective bargaining and/or social partnership at the sectoral level if they have a very weak partner on the employers' side.

The sectoral level represents the second stage of collective bargaining (Table 3). Unlike Western Europe, the sectoral collective bargaining in Romania only provides a minimal framework for the particular sector. It deals with a wide range of issues, from wages to training and health and safety standards. The provisions of the sectoral agreements cannot be set below those established by the national collective agreement and the Labour Code. As in other CEECs, the main reasons for collective disputes at the sectoral level have been pay levels, delays in the payment of wages in the public sector and the restructuring of basic industries such as mining, railways and steel (trade union officials interviewed; see also Martin/Cristescu-Martin 1999: 396).

Although Romanian unions have generally been able to mobilise their members in the public sectors, the number of strikes has declined. The trade union officials interviewed revealed that during the 1990s they learned that dialogue with employers' representatives on long-term interests usually resulted in a better outcome for their members than adversarial relations focused on pay increases. Respondents revealed that the increase of wages as a result of a strike at sectoral level was generally followed by an even higher rise in inflation. Furthermore, the prolonged economic recession and the reduction of the public sector due to privatisation, alongside increasing unemployment and a huge decline in trade union membership, resulted in unfavourable conditions for unions. Thus, social partnership and collective bargaining at the sectoral level are still fragile in Romania, as they are in most CEECs (Kohl/Platzer 2003; Lado/Vaughan-Whitehead 2003). The unions' strategic choice of a decentralised internal structure has not supported the development of sectoral and regional institutions in Eastern Europe, as will be shown in the next section.

#### **4.3 Limited strategic choices for unions at the company level**

As in other Eastern European countries, the strategic choice of trade unions in Romania has been to preserve their company-based membership and the institutional monopoly that existed before 1989. Trade unions and employers have been generally against the introduction of a dual channel of representation (Kohl/Platzer 2003). However, the EU regulations on minimum information and consultation rights made the introduction of works council structures necessary in the candidate countries. The solutions adopted by different countries varied. In Romania, similar to the Czech Republic, a single channel of representation remained in place, but since 2003 employees in companies with at least 20 employees who have no union representation have had the right to elect representatives for up to two years. The elected representatives have similar legal rights of information, consultation and collective bargaining as trade unions. Therefore, in countries such as Romania, trade unions and employees' representatives in non-unionised workplaces have formal rights for dealing with shared and conflicting interests at the company level.

The reform process has created opportunities for the trade unions, but also a large number of constraints. The main opportunities for unions at the company level indicated by our interviewees are as follows:

- The restructuring and privatisation processes have given unions the chance to participate in the decision-making process (e.g. Petromidia case study).
- The massive reduction of personnel has represented an incentive for employees in large companies to join unions in order to protect them from unfair dismissal and to obtain a reasonable severance package if they are made redundant.[5]
- In the context of low living standards, employees from very large companies have revealed that they joined unions to obtain financial help (e.g. loans with a low interest rate, reimbursement of expenses in the case of medical problems etc.).

These opportunities have been grasped particularly by autonomous trade unions operating in large companies.

However, there have been a large number of constraints that have affected company unions according to the respondents, such as:

- The rationalisation process, which has resulted in a massive reduction of personnel, many of whom have been trade union members.
- The fact that many companies were previously making losses, which has resulted in a prolonged economic recession and no benefits to share between employer and employees.[6]
- The emergence of new small and medium-sized companies, where employers generally have not accepted unions.
- Additionally, the strategic choice of the unions to operate within the companies has often resulted in the co-optation of unions by the management.

These opportunities and constraints have affected unions to different degrees throughout Eastern Europe (Lado/Vaughan-Whitehead 2003; Stanojevic/Gradev, 2003). Since the marketisation process in Romania is less advanced than in countries such as Poland and Hungary, trade union density is still higher than the Eastern European average (Stanojevic/Gradev, 2003: 38). However, the restructuring and privatisation of the loss-making companies that are still subsidised by the state is likely to lead to further decline in trade union membership in the near future.

Research reveals that the prevalence of conflict and co-operation varies across companies. Our interviews and other evidence indicates that, after 2000, industrial conflict prevailed at

the company level only when employees' jobs were at stake or when employees did not receive their agreed wages or other benefits (Martin/Cristescu-Martin 2002). Nevertheless, in May 2005, an industrial dispute erupted at Coca Cola Romania after collective bargaining negotiations on pay increases failed. The main claim of employees was a 20% pay rise, while the management was not willing to provide more than a 10% increase, which was less than the annual inflation (Preda 2005b). Initially, eight company union activists went on four days hunger strike. They aimed to pressure the management while trying to minimise the negative impact on the operation of the company. As no agreement has been reached to date (June 2005), it appears likely that employees will go on strike. Since trade unions membership is company-based, unions are in a very delicate position. It is vital for them to prevent the closure of their company as their survival is at risk. In the case of the mining sector and several large companies, Romanian unions have won few clashes over government decisions to close down loss-making companies (Kideckel 2001) as the Petromidia case study demonstrates.

Petromidia illustrates the dynamics of conflict and co-operation in a large company with a strong new union (over 90 % union density) set up by a group of blue-collar workers in 1990. The relationship between the newly established trade union and the management team began with an adversarial relationship in 1990. The elected trade union leaders required employees to endorse managers through secret ballot (interviewees). Employees validated all the management team, apart from the general manager, who left the company following the 'low trust' vote. Subsequently, there was co-operation between the management team and the company trade union, and decisions regarding the labour force were taken jointly (interviewees). A union official revealed that union representatives have since had a consultative role and are invited to all meetings of the management board regarding production. They are also consulted over redundancies, training and investment (interviewees). The partnership approach between the union and management was confirmed in 1997, when the government decided that Petromidia should be closed down as a result of making huge losses. Trade union officials initiated a meeting with the Prime Minister Ciorbea, where, together with the Chief Executive, they convinced the government that it was state intervention in the price of fuel and the exchange rate (which was kept very low) that made the company non-profitable (respondent participant in the meeting).

Additionally, the union was involved in the privatisation process. The union negotiated with the buyer the level of investment and secured the jobs of the 3577 employees for five years. According to a senior manager, 'at Petromidia there was a trade union which had a company attached, not a company with a trade union. In the privatisation contract, union representatives achieved a clause to keep the number of jobs for five years and to retain certain managerial prerogatives, such as to be part of a mixed commission which takes any employment decision. The contract also stipulated that the trade union should be allowed to participate in individual bargaining and to be informed about individual wages, which are supposed to be confidential.' The case of Petromidia indicates that unions can be proactive and shape their own future if they have the capacity to mobilise their members and if union leaders have the skills and willingness to use both conflict and co-operation in their relationships with employers. This case demonstrates that unions can even be in the driving seat, but this is atypical of Romania.

The Petromidia case study also shows a more common tendency of maintaining a coalition between company trade unions and the management when the survival of the company is at risk, as here both parties were interested in keeping the company operating for their own survival. In the public sector, unions and the management still have a shared interest to obtain as many resources from the state as possible (e.g. subsidies, exemption for paying certain taxes, etc.). However, findings indicate that genuine partnership is possible only in

companies where the employer has financial resources and displays a willingness to enter into a partnership arrangement. Although partnership based on mutual gains for unions and employers appears to be rarely found in Romania, certain multinational companies (e.g. Xerox) and Petromidia have successfully adopted it (interviewees). Summing up, findings suggest that collective bargaining and social partnership have developed together although, in many companies, trade unions have rather limited choices. Evidence indicates that a partnership approach is possible even in the precarious transition context of Romania, but it requires strong partners that have the ability to deal with both conflict and co-operation.

## 5 Implications for trade unions in CEECs

Since the 1980s unions around the world have had to adapt to a fairly hostile environment, in which the freedom of market forces rather than social values has been promoted. Whilst in developed countries unions have had to adjust and redefine their scope and strategies, in Eastern Europe independent unions have had to be established in this context. Despite an initial high trade union density in 2002, the weighed average in the eight Eastern European countries that joined the EU in 2004 was 21.1%, compared to the 30.4% weighted EU average (Stanojevic/Gradev 2003: 38). In Romania, trade union density is around 35%, but unions are not necessarily independent of management (interviewees),<sup>[7]</sup> which is a precondition for unions exercising strategic choices. Using the model developed by Huzzard (2004), this paper will now examine the prospects and implications of unions' strategic decisions taken during the transition from a centrally planned economy to a market-based economy.

Huzzard (2004) argues that unions generally have strategic choices on four different levels. The first level, also termed *first-order choices*, refers to key decisions on union missions, ideology and basic identity. In Eastern Europe, the first-order choices of unions were primarily affected by the labour relations existing in 1989, economic context and the social expectation of union members (Clarke/Cremers/Janssen 2003; Lado/Vaughan-Whitehead 2003; Stanojevic/Gradev 2003; Rusu 2002). As trade unions were the largest mass organisation and since, in countries such as Poland, unions (e.g. Solidarity) were the initiators of the politico-economic change, they were expected to support the change towards a more efficient economic system that would (hopefully) improve workers' conditions in the long term. In countries such as Romania, where unions were not involved in political change, they could be easily labelled as relics of the communist regime (Martin 1999; Pollert 1999). In this context, unions acted by and large as social movements and they supported the transformation process (prevalent partnership approach), although restructuring led to massive decline in trade union membership.

In all CEECs, unions were initially involved in the political and economic transformation, albeit to various degrees, with the extreme case of Solidarity that led a coalition government in Poland (Thirkell/Vickerstaff 2002). Scholars found puzzling that the first Solidarity-led government introduced a very liberal programme of economic shock therapy in Poland, instead of a worker-friendly capitalism (Ost/Weinstein 1999). Evidence appears to confirm Lipset's (1983) hypothesis that the more trade unions participate in the political and economic transformation, the less radical their initial and subsequent ideologies are. However, the fact that communist (radical) unions had little legitimacy after the demise of the communist regimes made it almost impossible for unions to choose a radical ideology. It would be interesting to test the validity of Lipset's (1983) hypothesis against further comparative research across Eastern Europe.

The first-order strategic choices shape the *second-order choices* over the scope of union



activities and which relationships unions should enter into (Huzzard 2004). The choice to support the transformation process in CEECs gave them the opportunity to be involved in shaping the emerging industrial relations system, to participate in social policy formulation and, sometimes even, to help shape the economic policies themselves (Clarke/Cremers/Janssen 2003; Kohl/Platzter 2003; Lado/Vaughan-Whitehead 2003). Additionally, the process of accession to the EU, particularly the requirements regarding the transposition of the social chapter into the national legal framework, represented an opportunity for unions to be involved in policy formulation (Kohl/Platzter 2003; Lado/Vaughan-Whitehead 2003; Rusu 2002). Although the unions' role has diminished with the progress in economic restructuring and the finalisation of the social chapter transposition into national legislation (Lado/Vaughan-Whitehead 2003), there are new opportunities for union participation, such as in the development of the Economic and Monetary Union (Meardi 2004).

Currently, Romanian unions are stronger and more involved in the tripartite bodies at the national level than unions in countries where reforms are more advanced, such as Hungary and Poland. Evidence suggests that Romanian unions have used the mobilisation more than unions in other CEECs to achieve a relatively supportive legislative basis for the defence of union recognition and collective bargaining (Clarke/Cremers/Janssen 2003; Kideckel 2001; Martin 1999). Nevertheless, as in other CEECs, most union activities are related to the transition process. Thus, Romanian unions would have to redefine and anticipate the needs of their members in order to (at least) preserve their influence in the decision-making process. Also, an obvious choice would be to attempt to recruit members in the growing number of small and medium-sized companies, where there is usually no union representation. However, unions' second-order choices are constrained by the third and fourth-order choices.

The *third-order strategic choices* refer to key choices on ways of relating to employers, members, other unions and civil society (Huzzard 2004). Evidence suggests that since 1989 Romanian trade unions, similar to those from the other CEECs, have faced problems of survival and legitimisation, and they have focused more on the political field than on workplace representation (Martin 1999; Pollert 1999). Unions have participated in the national public policy formulation via tripartite bodies or individual positions in the government (Rusu 2002). Their political participation has only partially solved the problem of survival and it has not solved the problems of internal legitimisation. Therefore, unions have had some influence in shaping the new labour legislation, but the economic recession, the massive reduction in personnel and the unions' inherited legacies have resulted in a decentralised and fragmented union movement, with weak influence at the company level.

Throughout Eastern Europe, unions generally have not managed to preserve labour's purchasing power and employees' jobs (Galgoczi/Mermet 2003). Despite a long-term commitment to partnership, real wages have lagged substantially behind labour productivity in most countries (Galgoczi/Mermet 2003: 50). Nevertheless, the Petromidia case study indicates that genuine partnership with a positive outcome for both labour and capital may be achieved even in the uncertain transition context. Therefore, evidence suggests that elements of both collective bargaining and social partnership have developed in tandem during the transition period in Eastern Europe, but their effectiveness for labour, in terms of maintaining at least the quality of working life, has usually been reduced (Clarke/Cremers/Janssen 2003; Kohl/Platzter 2003; Lado/Vaughan-Whitehead 2003). This is primarily a result of a weak development of the social partners along with a politico-economic context that has favoured the neo-liberal policies.

The case of Romania indicates that *fourth-order strategic choices*, which relate to unions' internal structure (Huzzard 2004), have also affected the second and third-order choices of

unions. A precondition for unions to have strategic choices is to be established as autonomous organisations from the management. The choice of unions to have a company-based membership has resulted in them not having any representation in the newly established companies and enjoying only debatable independence from the company management in many companies (interviews; Stanojevic/Gradev 2003). Furthermore, there is rivalry between the old reformed unions and the newly established organisations (Pollert 1999). Nevertheless, an attempt by union federations to establish an individual membership base may result in a sharp decline in union membership, since there is no such tradition in Eastern Europe. Also, trade union officials from the construction and chemical federations in Romania have revealed that company unions oppose the establishment of such structures. The weak establishment of the intermediary structures is common across Eastern Europe, not least because the company unions have had the power to choose to remain the most important layer in the union hierarchies (Clarke/Cremers/Janssen 2003; Kohl/Platzer 2003; Lado/Vaughan-Whitehead 2003).

In order to become a social partner that has strategic choices in its relations with employers, unions need to be well established (in terms of representation, internal coherence and legitimacy) in independent organisations at all levels. The Petromidia case study revealed that both the partnership approach and collective bargaining require strong and autonomous partners. Research findings suggest that trade unions in Eastern Europe are still learning how to achieve resources that will allow them to choose between co-operation and conflict with the employers. Although this paper emphasises the common opportunities and constraints faced by unions in Eastern Europe based on the Romanian case study, it is acknowledged that there is great variation in the industrial relations systems across and within CEECs (Kohl/Platzer 2003; Trif 2004). The comparison of empirical evidence from Romania with other Eastern European countries reflects on the stage of Romanian transformation and also points to a possible wider applicability of the theoretical framework employed for the study.

## 6 Conclusions

The shift from centrally planned economies to market economic models has presented trade unions in CEECs with crucial strategic choices in relation to their roles as industrial relations actors. This paper has focused on the strategic choices of trade unions in Romania during such a period of intense economic transformation; in particular it has assessed the trade union propensities for relationships of either conflict or co-operation with employers. Adversarial and partnership scenarios between trade unions and employers take place at national, sectoral and workplace levels. In the national arena the social partners are mostly 'out of step', though some co-operation takes place through institutional arrangements such as the social pact. Union gains have been modest, as the central issues of pay and employment have been dominated by the state and government failure to uphold labour codes. Social partnership at the national level has been characterised by a distinct lack of a stable co-operative model.

At sectoral level, the establishment of a negotiation arena has given the social partners the opportunity to practise the intricacies of conflict and co-operation. As has been argued, formal frameworks such as the Consultative Commissions of Social Dialogue have provided a forum where trade union federations, employers' associations and government representation can engage in dialogue on a range of pertinent issues. Although Romania has more advanced arrangements in this respect than other CEECs, research has revealed that the tripartite forums have a low effectiveness. A central problem is the weakness of the employers' associations in Romania; trade unions are faced with a social partner incapable

of deciding on what kind of relationships they wish to engage in. Collective bargaining at sectoral level provides an opportunity for the trade unions to bargain collectively, but conflicts, particularly in the public sector, have decreased due to the poor economic performance of Romania and the decline of union membership. Research findings show that strategic choice at this level, by the central actors in the trade unions, has been changing from overt strikes towards co-operation with employers.

However, the major strategic choice by the trade unions in Romania and the CEECs has been to retain their company-based membership to support their traditional institutional monopoly. The configuration of collective bargaining and partnership at company level is complex and varied because of reform measures which, on the one hand, have allowed participation in decision-making processes by the unions (the Petromidia case study illustrating this during the restructuring and privatisation programme of the company). On the other hand, rationalisation processes leading to redundancies are clearly adversarial issues. Formal participation rights enshrined in Labour Codes are on present evidence no guarantee that effective partnership rules will evolve. The general conclusion is that trade unions have limited strategic choices at company level, but there is a spectrum of choices determined partly by the stage of transformation of individual Eastern European countries and partly by the structure and nature of companies. Petromidia, for example, had developed autonomous trade unions that were able to genuinely choose between conflict and co-operation with the employer. However, the case study company was atypical of Romanian experience and the social partners mostly enjoyed a workplace partnership because their common aim was to sustain the economic viability of the company during the difficult transition period.

Social partnership in the western pluralist and democratic sense is a new phenomenon in Eastern Europe; it is easily masked by the pre-1989 contours of communist co-operation. The trade unions' initial strategic choice was to support the transformation of the centrally planned economy into a market-based economy, but the unions were confronted, and still are, with the vestiges of the communist legacies. Their involvement in tripartite bodies at national level is a determined attempt to influence and create an acceptable social partnership. The unions have had a measure of success in shaping the post-1989 labour legislation, but the legitimisation of the unions remains a significant issue. The evidence from Romania is that unions are still in the process of acquiring legitimacy, of having to resolve internal tensions, of becoming autonomous representative organisations and of convincing employers of the value of the social partnership model. Despite major structural and institutional constraints, this paper illustrates that the transformation process has been continually shaped by the capability of unions to apply selected strategic choices. The overall picture in Eastern Europe suggests that the actors in the industrial relations system are still learning how to achieve a social partnership model with mutual gains for labour and capital.

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## Endnotes

1

There are several studies that examine the role of trade unions in social dialogue, but they focus on the national level (Iankova/Turner 2004; Meardi 2004).

2

The study is based on 107 semi-structured interviews conducted in 2000-2001 in Romania with trade union officials (six respondents), employers' association officials (five respondents) and state representatives (five respondents), plus company union officials, shop stewards, human resource managers and employees (91 respondents) from 20 companies from different industrial sectors. Among the companies investigated, there is a case study approach to industrial relations in a recently privatised (large) petrochemical company (Petromidia), which has developed a workplace partnership.

3

This refers to dialogue and consultation between representatives of government, trade union confederations and employers' associations, principally relating to labour issues (Casale 1997).

4

The legislation requires that provisions of the national agreement should apply to all companies.

5

A survey in four large companies indicates that 8.1 % of their labour force were not union members before 1989 whereas by 2001 the figure had fallen to 4.5% (Trif 2004: 210).

6

These companies survive by being subsidised by the state. However, if the state tries to withdraw these subsidies, there is usually a coalition between management and trade unions to preserve the subsidies (e.g. Petromidia).

7

National trade union officials indicated that more than half of union activists at the company level are not independent from the management (see details in Trif 2004: 217-219).



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